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TAGS: PREL ECON EAID EG IZ

SUBJECT: EGYPTIANS REVIEWING DEBT RELIEF FOR IRAQ

REF: STATE 47346

Classified by Minister Counselor for Economic and Political Affairs, William R. Stewart, for reasons 1.4 (b) and (d).

¶1. (C) Poloff and Treasury Attach made reftel demarche to Amal Mourad, Foreign Ministry Deputy Assistant Minister for Arab Affairs, on April 16. Mourad was well-briefed on the issue of Iraqi debt and knew Finance Minister Boutros-Ghali had discussed the issue with Iraqi authorities and Treasury officials during recent IMF/World Bank meetings. Mourad said Egypt was still working to reconcile the numbers, and that while useful exchanges of paperwork and background information with the Iraqis had been taking place, formal negotiations had not begun. She confirmed Boutros-Ghali's statement from Washington that the issue is being closely examined, but could not confirm whether the GOE was prepared for specific announcements on Iraqi debts at the May 3 Compact meeting in Sharm. She did not discount the possibility that a high-level GOE decision could be made before the meeting, or in the context of a coming visit to Egypt by Iraqi PM Maliki.

¶2. (C) Mourad confirmed our understanding that different classes of Iraqi debt to Egypt will likely be handled differently, with official debt being the GOE's principle focus. On the draft communique for the Compact ministerial, Mourad said Egypt believes the document should accurately reflect the challenges on the ground inside Iraq, and serve as an "incentive" for further progress on assistance to the GOI. She asked for clarification on "signature" procedures related to the document, and for additional information on the conference follow-up mechanism.

¶3. (C) Asked about GOE coordination with the Iraqis on conference planning, Mourad said the MFA had been in direct contact with the Iraqi Charge d'Affaires in Cairo, Saad Ridha, regarding the conference, before the latter departed for Europe for medical care (he returns to Cairo this week). The foreign ministers, she believed, were also in direct contact with one another about the two conferences. Egypt is also coordinating with the UN in New York as well as directly with UN Rep Gambari.

¶4. (C) On expectations for Iraq PM Maliki's April 21-23 visit, Mourad agreed the visit is "extremely important," and that it would mark a new stage in bilateral relations between Baghdad and Cairo, as well as with other key Arab states. Mourad was uncertain of specific "deliverables" for the visit, but believes the Iraqi PM is attempting to move towards the political center, and is trying to improve ties with Arab neighbors. She pointed to the Arab League summit in Riyadh and the latest AL Iraq resolution as evidence of a new relationship between Iraq and other League members. Mourad said there is no new information on when Baghdad would send an ambassador to Cairo.

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